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ABSTRACT

This paper addresses the relationship between economic development and higher education in Minnesota, focusing on how vocational institutions will meet the increasing demand for skilled workers, how research institutions will improve the transfer of new technology to business, and how higher education institutions can create better links between the needs of business and the education of students. It calls for merging the University of Minnesota and Minnesota State College and University systems by the year 2000, committing state resources to make Minnesota a technology leader, making the University of Minnesota one of the nation's top 10 research universities, solving the tenure question to prevent the unionization of the University of Minnesota faculty, restoring public confidence in the Board of Regents, giving the governor and state legislature a role in selecting a new president for the University of Minnesota, redefining the role of the Minnesota State College and University System, formalizing a school-to-work vocational path available to all high school students, and supporting preschool and early childhood education. (MDM)

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A Course for the Future

Higher Education and Economic Development

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November 1996

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A Report to the Governor

Governor's Roundtable on Economic Development and Higher Education — *Edson Spencer, Chair*

In recent years, Minnesota has enjoyed strong economic growth, a diversified economy and low unemployment. Despite the perceived disadvantages of a rigorous climate and relatively high taxes, the state has prospered because of the quality of its workforce. One of the most important contributions to Minnesota's economic success has been its superior education system, including a respected research university.

But past success is not enough to guarantee continued economic growth in the future. Economic competition with other states and countries is becoming increasingly fierce in this changing world. How Minnesota educates its citizens will play a key role in that competition.

The state's labor force will change significantly in the next 30 years. It will grow more slowly than before as the number of workers age 45 and older increases. Women and minorities will be more strongly represented. Fewer workers will come from an agrarian, work-driven culture.

At the same time, more employers are reporting that Minnesota high school graduates are not prepared for work. Students are not graduating with the skills that employers need, such as the ability to work in teams, analyze information, think critically and solve problems. Minnesota educational institutions must do a better job of teaching young people these skills if the state hopes to remain globally competitive.

Governor Arne H. Carlson called together a small group of community and business leaders in April 1996 to discuss how to form better links between Minnesota's higher education system and the needs of the state's economy. The Governor's Roundtable on Economic Development and Higher Education, headed by Edson Spencer, discussed what Minnesota must do to prepare for the growing economic competition it faces. The group focused on Minnesota's higher education system, but recognized that some of the same issues facing higher education also affect kindergarten through 12th grade and early childhood education.

The issues identified in this report to the Governor are the ones that we, the members of the Governor's Roundtable on Economic Development and Higher Education, see as the most pressing.

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The Governor's Roundtable on Economic Development and Higher Education

Governor Arne H. Carlson called together in April 1996 the Governor's Roundtable on Economic Development and Higher Education to make recommendations about Minnesota's higher education system and its relationship to the economic development needs of the state. Edson Spencer served as chair of the discussions.

The six-member roundtable met with many experts who helped shape the recommendations in *A Course for the Future: Higher Education and Economic Development*. From the University of Minnesota were Nils Hasselmo, president; JoAnne Jackson, senior vice president of finance and operations; H. Bryan Neel III, vice chairman of the Board of Regents; Richard Pfutzenreuter, associate vice president for budget and finance; Tom Reagan, chairman of the Board of Regents. MnSCU representatives were Judith Eaton, chancellor; Bruce Grube, president of St. Cloud State University; M.J. Benson, president of Bemidji State University; Susan Cole, president of Metro State University; Donovan Schwictenberg, president of St. Paul Technical College; and Diann Schindler, president of Minneapolis Community College. Business representatives were Ron Eibensteiner, president of Wyncrest Capital; Steven Rothschild, president of Twin Cities RISE!; Randel Carlock, Audio King's chairman of the board; and Charles Denny, Jr. former CEO of ADC Productions. The committee also heard from state government officials and analysts: John Gunyou and Laura King, former commissioners of the Minnesota Department of Finance; Senator Gene Merriam, Minnesota Senate; Tom Gillaspy, state demographer; and Tom Stinson, state economist.

Roundtable Members

Edson Spencer, roundtable chairperson; president of Spencer Associates

Peter Gillette, president of Piper Trust

Michael O'Keefe, executive vice president of the McKnight Foundation

Larry Perlman, president and CEO of Ceridian Corporation

Hazel Reinhardt, consultant

Winston Wallin, chairman emeritus of Medtronic, Inc.

As Minnesota prepares to move into the next century, a number of questions face the higher education system:

- How will vocational institutions meet the increasing demands for highly skilled workers?
- How will research institutions improve the transfer of new technology to Minnesota businesses?
- How can higher education institutions respond to economic development trends and create better links between the needs of business and the education of students?

Investing in education is expensive, but neglecting to do so is far more costly. An educated citizenry improves the business climate and helps the state maintain its competitive edge. Investments in education lay a foundation for long-term growth in Minnesota's economy.

One System of Higher Education

Minnesota has separate governance systems for the University of Minnesota, which oversees the university's four campuses, and the Minnesota State College and University system, which oversees the 37 technical and community colleges and state universities. Separation of the two systems makes it virtually impossible to coordinate strategic plans, differentiate missions and allocate resources in a cohesive manner. Even though state taxpayers fund over one-third of the university budget (excluding the hospital and clinics) and more than half of the MnSCU budget, no mechanism exists for oversight of the higher education system as a whole.

Both systems are seeking additional funds to support growth and new investments for the future. Without a unified governance system, it falls to the Governor and the Legislature to decide how to allocate resources, rather than to the higher education system as a whole to set priorities and strategic direction. This organizational approach is flawed.

The fragmented system of governance for Minnesota's higher education institutions means no single entity can be held accountable for quality, setting statewide

priorities or developing an overall budget for higher education funding.

In addition to the need for a unified higher education budget, a number of questions illustrate the need for a comprehensive approach to higher education:

- Which system will be responsible for a proposed Rochester university campus?
- Should the university's General College be a part of Metropolitan State University?
- Are the missions of the university's Duluth, Crookston and Morris campuses more closely related to the mission of MnSCU than the University of Minnesota?
- How can technology become a growing force in educating Minnesotans?
- How does higher education as a whole become more responsive to Minnesota's work force and economic development needs?

Another compelling reason exists for changing Minnesota's governance of higher education — the highly politicized nature of University of Minnesota Board of Regents. Regents at the university are elected by the Legislature. Eight represent congressional districts and four represent the state as a whole, including one student. As a result of this selection process, regents often represent political constituencies and have little or no experience with, or knowledge of, large educational institutions.

All 15 members of MnSCU's Board of Trustees, on the other hand, are appointed by the Governor and confirmed by the state Senate — a practice used in many states for appointing public university boards. The advantage of this system is that it allows the Governor to appoint board members who have experience and expertise with higher education issues.

1 Minnesota should have one governing entity for all publicly funded higher education institutions. The most effective way to establish statewide priorities, develop an overall budget for state higher education funding, support that budget with the Governor and the Legislature, and provide direction for higher education is to have one governing entity over all of higher education. We, the members of the Governor's Roundtable, recommend that the Governor appoint a commission to create a single board guiding all of higher education that would be in place by the year 2000. A new board would not necessarily replace current governing boards that run the university and MnSCU. Rather, this board would have power to determine priorities, set budgets, and provide leadership and vision for all of higher education in Minnesota. In the meantime, we suggest that the University of Minnesota and MnSCU begin to discuss the questions and issues where coordination, rather than competition, could benefit students and state taxpayers.

Technology in Higher Education

Technology offers Minnesota an extraordinary opportunity for affording access to education and improving the quality of educational opportunities throughout the state. Some of this technology is already being developed and used at the university's Crookston campus and at the Rochester University Center.

A technology-based teaching capacity among many campuses would provide Minnesota students and businesses with access to a variety of educational offerings without barriers of distance, time or administrative procedures. A "virtual university" establishes many points of entry for students, with immediate access to all instructional, support and administrative services. It goes beyond existing forms of distance learning. Instruction would be available at times and locations convenient to students. It would use different media including interactive television, video tapes, computer software and the Internet. Access to the virtual university would be possible from homes via televisions and personal computers.

2 The state should be willing to commit financial resources to make Minnesota a national leader in the use of new technologies in education. We believe that the highest priority for state resources should be in the development and use of technological innovation for higher education. A virtual university would create links among state and worldwide higher education institutions. For example, an employer in Roseau could use the technology to provide advanced training to employees; an economics major at St. Cloud State

University could pursue course work with leading scholars at the London School of Economics; Cargill, IBM, Mayo or 3M employees could pursue graduate work without having to relocate or leave their jobs by taking courses from the Harvard School of Business, Stanford University or MIT.

Developing this technology is an expensive proposition but one that would expand and improve the quality of higher education for all citizens of the state. A start is underway on several campuses, but partnerships with other research universities and private businesses from across the country should be developed to spread costs and avoid duplication of resources. The state needs to support these efforts by being prepared to commit resources to the development of a virtual university.

This issue must be addressed now. Minnesota can't afford to wait for a single board over all of higher education to take the lead. Therefore we propose that the Governor and Legislature allocate money for planning and assign the University of Minnesota and MnSCU the task of developing, within one year, a plan for the virtual university.

We also propose that the Governor, or the commission outlined in Recommendation 1, appoint a steering committee to work with the university and MnSCU to develop the virtual university proposal. The steering committee should include or consult with representatives from business, Minnesota's Office of Technology, the Department of Trade and Economic Development, the Department of Agriculture and other interested communities.

Developing a plan for a virtual university should primarily be an effort of Minnesota's higher education institutions, but the steering committee should provide direction and help shape the plan, hold the institutions accountable and, when necessary, recommend solutions to issues that the institutions cannot resolve on their own. The steering committee should be required to approve the financial plan to accomplish the development of the virtual university.

Returning Excellence to the University of Minnesota

The University of Minnesota has played a crucial role in Minnesota's past economic success. Major industries, such as the taconite, computer and biomedical product industries have grown out of research and development at the University of Minnesota.

It is absolutely essential that the university continue to play a major role in the state's future economic development. As Minnesota moves into the 21st century, the state's economic success will depend on the university's ability not only to supply trained workers but also on the university's ability to develop and transfer new technologies. The land-grant mission and taxpayer funding of the university are based on the expectation of continued contributions by the university to the economic development of the state.

3 As a primary five-year goal, the University of Minnesota should strive to be recognized as one of the nation's top 10 research universities. Along with its high-quality research, the university should strive to be nationally recognized for graduate and undergraduate instruction and for providing superior service to Minnesota communities. All decisions by the Board of Regents should be set on this goal. Specifically, the Governor should ask the university to develop a plan, well in advance of budget deliberations, on how to achieve this goal, with priorities and costs identified.

We realize that this call for improvement comes at a time when public universities across the country face an uncertain future. The need for public support and investment in higher education is rising, not only in Minnesota but in other states as well. At a time when taxpayers are unwilling to pay more for government services, higher education faces increasing competition from other growing government priorities such as K-12 education and long-term health care for the elderly.

In Minnesota, with its small population and tax base, the university cannot be all things to all people.

Priorities and strategies have to be carefully chosen with the recognition that investments will be substantial and well justified, whether they come from state or private sources. Some of the university's program areas deserve special attention because of their current importance to the state's economy. The health sciences, for example, must regain its reputation as a national leader. Key to achieving this goal will be the university's ability to attract and retain top-quality faculty members. The University of Minnesota must be prepared to pay nationally competitive salaries in targeted areas to further its strategic priorities.

The University of Minnesota should concentrate primarily on improving the quality of academic and research programs with the goal of becoming a top research institution. It should not focus on providing university access to everyone who wants to attend. Through a strong MnSCU system, access is available to all high school graduates who want to pursue higher education. MnSCU students have the opportunity to transfer to the university if their academic goals require it and their performance permits it.

We also recognize that this challenge comes at a time when the public, many business leaders and national ranking organizations perceive the university's quality to be slipping. It also comes at a time when confidence in the leadership at the university is lacking.

Whatever the reasons, whether justified or not, the university must take firm and immediate steps to reverse this eroding confidence if it hopes to achieve improved quality. The University of Minnesota needs to restore the confidence of political leaders, the business community and the institution's influential leaders.

Unless the university is recognized as an outstanding research university, Minnesota's entire higher education system will fail to contribute to a prosperous state economy in the 21st century. The effect of a diminished research university on Minnesota will be disastrous; top-level high school graduates will continue to leave the state to attend college and may not return to work in Minnesota industries. As the level of research diminishes at the university, so will the development of new industries in the state. Capital to support Minnesota companies will be reduced. The best faculty will no longer come to Minnesota to teach and do research.

One source of eroded confidence in the university is the lack of clear and energetic leadership by the Board of Regents. On many issues, the board is perceived as micromanaging the institution. Serious and continuing divisions within the board have resulted in its inability to generate consensus on many of the most important decisions.

We, the members of the Governor's Roundtable, believe these problems are rooted in the structure of the board, and its selection process. As mentioned previously, people are placed on the board for their political positions, not as general representatives of the people of Minnesota. The result is too much influence by special interest groups with specific agendas, which in turn leads to micromanagement and conflict with the administrative leadership and faculty of the university.

4 The faculty, administration and the regents must solve the tenure issue as quickly as possible in a way that does not lead to the unionization of the faculty. The faculty and the Board of Regents have struggled with tenure code revisions which have now led to a threat of faculty unionization in retaliation. Both of these immediate issues have immense long-range implications for the future direction and standing of the university.

- The current impasse and uncertainty make it extraordinarily difficult to identify and attract a top-quality candidate to be the next university president.
- Faculty unionization would be precedent-setting among the great research universities of the country, impeding the university's ability to win major research grants and to recruit and retain top-ranking faculty.
- Continued polarization between a unionized faculty and regents would impair the University Foundation's ability to raise annual funds and new endowment funds. Support from the Minneapolis business community, which has funded professorships, buildings and programs, could decline as potential donors foresee a lapse into mediocrity.

Without resolution of the proposed tenure revisions and a concurrent withdrawal of the union petition, both the near- and long-term future of the university, of higher education and the state's economic prosperity are in peril.

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5 The Board of Regents must restore public confidence in its ability to manage its role in the governance system. The Board of Regents must rethink and agree on a model for governance different from the one which is being followed today. The goal should be a board that deals with long-term strategic direction; a board that does not try to micromanage the university; and a board chair who, while independent, can work closely and cooperatively with the university's president, the Governor and the Legislature.

Implementing these recommendations would help restore confidence in the university and would signal to state leaders that the university is serious about addressing the problems it faces and restoring the university's national reputation. The board needs to define strategic priorities, show how those priorities relate to the state's economic development, and indicate where resources will be reassigned to support those priorities. If this happens, the university will be in a stronger position to ask the Governor and the Legislature for investment dollars.

6 The Governor and legislative leaders should have a role in the selection of a new president. The general lack of confidence in the university governance system's ability or will to change makes managing the university difficult. It may inhibit the university's ability to attract the most qualified individuals for the presidential vacancy. In addition, the next president will encounter serious obstacles to success under the current system.

The regents have the responsibility for selecting a suitable leader for the university, but we recommend that the Governor and legislative leaders be involved at least indirectly in interviewing candidates for the president position. It is important for the finalists to know what the state expects of its flagship university. It is also important that the regents have the benefit of legislative and gubernatorial opinions before making a final selection. The support and enthusiasm of the state's political leaders will be necessary for a new president to lead the university into the next century.

Redefining MnSCU's Role

While the University of Minnesota is a land-grant research university, MnSCU plays a different role in Minnesota's system of higher education. The institutions of MnSCU, technical and community colleges as well as state universities, have long provided Minnesotans with unprecedented access to higher education. These colleges have become major employers in their communities and have supported the economic development of rural Minnesota.

With so many institutions, however, the possibility of overcapacity and potential redundancy of programs becomes very real. Relatively few institutions are located in the corridor from St. Cloud to Rochester, which is becoming the major population and economic development center for the state, while the population in many outlying areas is stable or declining.

At a time of fierce competition for higher education dollars, MnSCU must recognize these changes and continue to develop a streamlined plan of action for the future. The goal of having a campus within 35 miles of most population centers, though desirable in the past, is costly and no longer realistic nor necessary, given the potential for technology to provide rural Minnesotans with extraordinary access to higher education.

7 MnSCU should report to the Governor by January 1, 1998, on five critical issues that ensure continued success. The consolidation into the MnSCU system of community and technical colleges was a move in the right direction for higher education in Minnesota. The development of MnSCU created a system able to provide Minnesota with a unified vision for technical and professional higher education programs in the state, a system responsive to the needs of Minnesota's students and businesses. However, MnSCU must continue to change if it is to continue to succeed. We recommend that the Governor charge MnSCU to respond to the following issues and report back to the Governor by January 1, 1998:

- Each MnSCU institution should clarify its regional and distinctive mission within the MnSCU system.

- MnSCU should clarify the relationship between MnSCU institutions and the University of Minnesota, including the issue of access for all Minnesota high school graduates wanting postsecondary academic education.

- MnSCU should articulate its vision for the role of technology in education, particularly in providing educational services to rural areas.

- MnSCU must grapple with the cost efficiency and cost effectiveness of its system, in light of the institutional missions, the relationship with the University of Minnesota, the use of technology and the proliferation of campuses.

- MnSCU must identify and focus on job-skill requirements for the future economy of the state, working with employers and the K-12 system to align the technical college system to meet anticipated needs.

Preparing Minnesota for Work

Not all young people or high-wage jobs require a four-year degree. Minnesota's elementary and high schools, therefore, must do a substantially better job of preparing young people for the work force through youth apprenticeships, on-the-job learning and school-to-work partnerships with employers.

In addition, the transition from welfare to work prompted by federal welfare reform could lead to an influx of up to 25,000 new workers into the labor market. Vocational skill training will be critical if the future economy is to accommodate these new workers.

8 The Governor should designate a team to work with employers to develop and formalize a school-to-work vocational path available to all high school students. The plan would be presented to the Governor prior to the start of the 1998 session. The team should include representatives from higher education, nonprofit organizations, state government and others.

The state must develop strategies to accomplish its economic goals. Schools must work with businesses to determine what skills and proficiencies need to be taught. Schools also must find ways to expose young people to the workplace in high school or earlier through internships, apprenticeships and summer jobs.

A strong K-12 system should prepare most students for employment or further education with minimal need for remedial education, currently a significant expense for most higher education institutions and employers. The K-12 system must do a better job of educating students the first time around so that costs for remedial education can be reduced. Students not intending to earn an advanced academic degree should graduate prepared to enter vocational training or the labor market as productive and trainable workers with marketable vocational skills and a desire to work.

As a society, Minnesotans must begin to deal with the stigma often attached to vocational certificates. Young people today often view vocational or technical education programs as suitable only for less intelligent or less motivated students. This stigma must be removed if the state hopes to provide Minnesota businesses with skilled workers for jobs. Key to removing the stigma is showing students that a college diploma is not the only road to economic success.

Different paths of career development are needed for all young people. Minnesota's work force development system should effectively link education and work through career guidance, youth apprenticeship, and other options that help young people achieve the academic, occupational and work-readiness skills needed for employment. Employers, unions, schools, colleges, universities, community organizations, and all levels of government must share the responsibility to ensure that such a system succeeds.

9 The Governor should continue his emphasis on and support for preschool and early childhood education, especially in the core cities. From the moment students enter kindergarten, they should be learning skills to prepare for a productive career. This will require that schools teach important work skills, such as the ability to work in teams, analyze information and solve problems, as well as the basic skills of reading, writing and math.

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A recent Carnegie Corporation report argues that ages 3 to 10 are the most crucial in a young person's life. At this time a firm foundation is laid for healthy development and lifelong learning. Also during this time the groundwork is laid for skills such as problem solving and abstract thinking. If children can begin kindergarten on par with their peers, they will have a much better chance of developing the skills necessary for success and productivity in the future.

A commitment to programs such as Head Start, Early Childhood Family Education and other early childhood programs that prepare young children for success in school must continue if the state hopes to have competent, achieving high school graduates in the future. In addition, investments made in preschool programs now will decrease the cost of remedial education throughout the entire educational system.

Conclusion

The educational challenges facing the state, and their impact on economic development and emerging job skills, are not overtly political or partisan. Meeting these challenges cannot and should not be left to either the legislative or executive branch acting alone. While our report is addressed to the Governor, we implore legislators to come together to pursue these common challenges and goals with minimal political conflict.

Minnesota must remain competitive nationally and internationally, a contest that will reward a truly educated, skilled workforce attuned to accelerating technological changes. To succeed, Minnesota must depend upon a strongly led and broadly supported educational system from preschool through postdoctoral research. This effort will require the leadership of both the Governor and the Legislature. Without such a joint, bipartisan effort, Minnesota is at risk of losing to other states and other nations all that has been accomplished over the past century.

A Course for the Future: Higher Education and Economic Development was prepared with assistance from Minnesota Planning. Tom Foley provided the cover photo.

Minnesota Planning is charged with developing a long-range plan for the state, stimulating public participation in Minnesota's future and coordinating public policy with state agencies, the Legislature and other units of government.

Upon request, this report will be made available in an alternate format, such as Braille, large print or audio tape. For TTY communication, contact Minnesota Relay Service at (800) 297-3529 and ask for Minnesota Planning.

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